



CALPEEK

CALIFORNIA POLITICAL WEEK

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ENERGY & POLITICS: PUC/SCE DEAL IS APPROVED BY JUDGE. CONSUMER GROUPS YELL "BAILOUT."

Editor's note: After Calpeek hit the street last week, U.S. District Judge Ronald S.W. Lew approved the deal struck by Calif.'s PUC and So. Calif. Edison(SCE). It was a rescue plan which will keep SCE out of bankruptcy court, but this deal sure didn't go over well with various consumer groups who screamed "bailout." Whatever the case, the resolution of this nightmare is certainly good news for CA Gov. Gray Davis(D) and the Demo controlled State Legislature. Here's our analysis & commentary...

...Davis and PUC Chair Loretta Lynch won't ever have a warm and chummy relationship again, despite the fact that Lynch's plan saved Davis from certain defeat at the hands of State Senate Pres. John Burton(D-SF). Sources say there was just no way Burton and his legislative allies were going to approve an SCE bailout on Davis' terms. Given that fact, the only other alternative for SCE was bankruptcy. Thus the PUC's deal was a blessing. FYI: a savvy Calpeek source says the relationship between Gov. Davis and PUC Chair Lynch is like King Henry II and Thomas a Becket. Others might disagree, but we think that's a very good comparison...

...As for the deal itself, Judge Lew essentially told the consumer groups to pound sand and called the PUC/SCE deal "fair" and said it *was not* a bailout by any means. Lew would not hear from attorneys representing consumer groups and our sources believe an appeal would not be successful. Others disagree...

...Did ratepayers get screwed, as consumer groups claim? Perhaps, but had this deal not been agree to and SCE had won its lawsuit against the PUC, odds are fairly strong that ratepayers would have had to pay at least \$3 billion anyway. Some sources think twice as much. So the answer is the deal was fair...

...FYI: The SCE lawsuit against the PUC dealt with a dispute over whether the PUC could prevent SCE from collecting from retail customers "dollar-for-dollar" the

wholesale power costs it had incurred. Legal sources tell Calpeek the U.S. Supreme Court has repeatedly held that utilities have such a "dollar-for-dollar" collection right if the power costs were approved by FERC. Whatever one may think of FERC, a good chunk of those high wholesale power costs were FERC-approved and were not challenged in a timely manner by the PUC, the Calif. AG or consumer groups. And Judge Lew ruled that even though SCE had pushed hard for deregulation (AB 1890), the State's 2nd largest IOU had not waived its collection rights. That being the case, ratepayers were on the hook for a big chunk of wholesale power costs. Stay tuned...

CALIF.'S UN-CROWDED SKIES: AIRPORT POLITICS.

Editor's note: The events of Sept. 11th have had a huge impact on airport executives and planners throughout Calif. Here's our report & analysis. More next week...

...While the high profile political battle over whether or not to have a new international airport at the former U.S. Marine Air Station in El Toro has certainly received the lion's share of attention in Calif., Orange County isn't the only area in Calif. where airport expansion has turned into a hot political issue. L.A., Burbank, S.F., San Jose and Oakland are also key cities where airport expansion had been on the front burner – until Sept. 11th...

...The U.S. airline industry was already in rocky shape, even before the terrorist attacks. Only two airlines in the U.S. were showing a profit: Southwest and Continental. But because of Sept. 11th, air travel is down significantly and this has had a domino impact on Calif. airports: fewer passengers, fewer flights and thus revenue to build new runways and passenger terminals is way down. Nationwide, the airline industry got a multi-billion rescue from the U.S. government, but politically this bailout wasn't the greatest appropriations bill ever enacted because it only helped the airlines and their shareholders, but didn't do a thing for airline employees – where 100,000 jobs have been cut. This could come back to bite some U.S. lawmakers...

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...Back to Calif. In Northern Calif., plans to extend the runways into the Bay at S.F. are on hold, as are plans for new passenger terminals in San Jose and Oakland. In So. Calif., the big news is that L.A. Mayor Jim Hahn has dumped former Mayor Richard Riordan's plan for a major expansion of LAX. Instead of pushing Riordan's plan for 89 million passengers per year, Hahn's more modest plan calls for expansion to 78 million per year. Hahn's airport theme: less expansion and more security. It's getting the thumbs up from the vocal anti-LAX expansion crowd, thus it was a smart move politically for Hahn...

...With a modest expansion at LAX, it means there will be more emphasis on L.A.'s other big airport, Ontario. And naturally, there will be more pressure from L.A. on Orange Orange Co. to go ahead with plans to build El Toro. Hahn said O.C. should pick up its share of demand – a statement not well received in South O.C., where anti-El Toro feelings run high. Regardless, O.C.'s only airport, John Wayne Airport, has reported a big dip in travel (and revenues) as a result of the Sept. 11th terror attack. So anti-El Toro supporters wonder whether El Toro is really needed at this time, given WJA's current situation???

...On Oct. 16th the Orange Co. Bd. of Supes is once again expected to vote 3-2 to approve an EIR and an El Toro airport systems master plan. Another win for the pro-El Toro crowd, despite the fact that the latest UC Irvine poll shows O.C. residents are *opposed* to El Toro by a margin of 52% to 38%, with 10% undecided (Aug. 20-24, 2004 county residents)...

...Despite the expected vote, this won't be the end of the fight. There's a new FAA report which presents mixed signals on a commercial airport at El Toro. And there's a better than 70-30 chance voters will have a 4th initiative facing them in either March or November of 2002. It's The Great Park initiative which would *re-zone* El Toro for a recreational park. The courts are holding up this latest initiative (pro-El Toro supporters are challenging the *title & summary* of the measure). A final court resolution is expected around Nov. 17th, but the pro-Park supporters gathered 175,000 signatures to get onto the ballot...

...FYI: Even though Burbank Airport officials decided to delay plans to build a new 14-gate terminal, voters in Burbank on Oct. 9th approved Measure A, which places a number of restrictions on airport operations (noise, traffic, flight caps, curfews) and would require a 2/3rds vote in Burbank before the council could OK any new expansion plans. Measure A won with 58.3%, but if it is challenged in court, sources say it will be tossed. But it does show how touchy airport expansion has become. Stay tuned...

CALPEEK'S CONSULTANTS DIRECTORY ON SALE

Calpeek's 2001-02 *Directory of Campaign Consultants* is off the press and ready for sale. There are about 300 listings in the Directory. Cost is \$30. Checks only. No credit cards and no invoicing. The Directory will only be sold via subscription to current Calpeek subscribers. Send payment with your name, address, etc. (please type or print clearly) to Calif. Political Week or Calpeek, P.O. Box 1468, Beverly Hills, CA 90213...

CONDIT WATCH: MORE DATA FROM NEW SURVEY.

Editor's note: Last week Calpeek ran some numbers from the new 18th CD relating to embattled U.S. Rep. Gary Condit(D) and a possible challenge from Condit's former friend and former staffer, Assemblyman Dennis Cardoza (D). Here's a brief follow-up on that story...

...The poll which matched Condit(27%) against Cardoza (56%) was done by Sacto-based pollster Jim Moore. It was taken Sept. 25-26 among 500 likely voters. In addition to the Condit vs. Cardoza number, Calpeek also noted Condit's low reelect number: 28%...

...Info that we didn't report last week from this Moore poll also shows that if for some reason Cardoza were to back out of this race and Demo State Sen. Jim Costa of Fresno were to challenge Condit, at this point Costa would defeat Condit in a primary: 43% to 36%. Not a very safe margin for Costa. However, we should note that Costa has said if Condit runs for reelection, he would not run against him – so these numbers are fairly meaningless...

...Not meaningless is a match between Condit and current GOP State Sen. Dick Montieth of Modesto. Montieth, who in the past has had a friendly relationship with Condit, has announced that he will run in the 18th CD. If Montieth were to be the GOP nominee in the 18th CD, he would defeat Condit by a 55% to 32% margin...

...FYI: the whole point of this survey and the leaking to selected news media is to put pressure on Condit to think twice before entering the 18th CD primary. And just because the U.S. is now at war with terrorists in the Near East, and Condit and missing intern Chandra Levy have been knocked off the cable tv & radio talk shows, it does not mean 18th CD voters have forgotten – or forgiven. Stay tuned...

SOME INFO YOU NEED TO KNOW ABOUT CALPEEK.

Deadlines for news & Marketplace Network are 12 noon each Wednesday. Calpeek is printed and mailed each Thursday. Our FAX ☎ is (310)657-4340. Calpeek does NOT make refunds on cancellations...

CAMPAIGN 2001: S.F. CITY ATTORNEY'S ELECTION.

Editor's note: This is Calpeek's first update on the S.F. City Attorney's race in several months. It was somewhat of a shock to S.F. insiders when long time S.F. City Atty. Louise Renne decided not to seek reelection. Initially there were about 6-7 candidates in the race, but now it's down to just 4 for the November 5th election. Given the field, a Dec. 11th runoff is likely. Here's our report and analysis...

...The four candidates slugging it out include Police Comm. Dennis Herrera; Jim Lazarus, a long time ally and top aide to U.S. Sen. Dianne Feinstein (at one time her Calif. director); attorney Neil Eisenberg, who ran against Renne in '93; and land use attorney Steve Williams, a favorite of the neighborhood activists...

...Most source agree that Herrera and Lazarus are in the top tier, with Eisenberg in the second tier and Williams in the 3rd tier. And it's generally agreed that Herrera is a center-left candidate; Lazarus is a centrist; Williams is positioning himself to the left; while Eisenberg is running what one source called a left/right campaign – he's got backing from the liberal *Bay Area Guardian*, but is also being supported by former S.F. Mayor Frank Jordan...

...Because S.F. County Supes have very small staffs, every piece of legislation they propose is written by the city attorney. That's critical and it's why the contest is very important to the S.F. establishment. Herrera and Lazarus are the two candidates closest to the establishment, while Eisenberg and Williams are positioned as anti-establishment. In fact, at one point Eisenberg was being touted as the anti-PG&E candidate (remember: Props. F & I are on the Nov. 5th ballot. "F" would set up S.F. with it's own muni owned power operation). But Sept. 11th changed priorities. Now voters are more concerned about safety and the economy...

...As for Williams, he got a big boost when S.F. Co. Supes Bd. President Tom Ammiano endorsed him. But then Ammiano switched his support to Jim Morales, who just as suddenly dropped out of the race, leaving Ammiano without a candidate and egg on his face. S.F. Mayor Willie Brown is officially neutral – but some sources think he leans toward Herrera. Others disagree...

...Until recently the contest was very low on just about everyone's radar, but Lazarus has charged in with a very big cable tv buy. He may have gotten off to a slow start, but he's now considered a frontrunner with Herrera. Both are well funded. Herrera is supported by Renne and recent-

ly got a boost from newly elected L.A. City Attorney Rocky Delgadillo, who did a fundraiser for Herrera. Herrera also won a key endorsement from the S.F. Co. Demo Central Cmt. Lazarus, of course, has DiFi's backing (a recent DiFi event brought in about \$50,000), and he has picked up a string of local Democratic clubs. Of the two, Herrera is considered a rising star in S.F. politics, whereas this will probably be Lazarus' *last hurrah* – he either wins this time or he's finished politically. Stay tuned...

U.S. AT WAR: TERRORISM'S IMPACT ON CALIF.'S ECONOMY NOT GOOD, BUT IT COULD GET WORSE.

Editor's note: This update will focus on the impact of the Sept. 11th terror attack on Calif.'s very fragile economy. It's not good news for Gov. Gray Davis and the Calif. Legislature. Here's our brief update & analysis...

...Just like the national economy, Calif.'s economic growth was beginning to weaken prior to Sept. 11th. Budget projections for next year indicate there could be a \$3-4 billion shortfall in revenue impacting the General Fund – more if the State's General Fund is not reimbursed for buying power earlier this year. State Senate Budget Cmt. Chair Steve Peace (D-El Cajon) said the shortfall could hit \$4-6 billion if the economy doesn't pick up by Christmas. And making matters worse, unemployment in Calif. could hit 6.0% by the end of the year...

...Hardest hit are Calif.'s key travel & tourism industries, which includes hotels, restaurants, rental car business, airlines, as well as segments of the State's huge entertainment industry. Also hit hard was Calif.'s high tech industry. Overall, Calif. tourism generates about \$75 billion per year and employs 1.1 million Californians. Gov. Davis has already announced a \$5 million campaign to promote Calif. tourism, but that's only a short term fix...

...Sources agree that Gov. Davis will probably have to call a special legislative session to really get a handle on the total economic impact. GOP gubernatorial candidate Bill Simon Jr. is urging Davis to follow this course. Davis has already ordered individual departments and agencies to cut up to 10%. It's not good news and Wall Street isn't happy either with Calif.'s economic condition...

...*A local political angle.* Should the Santa Monica City Council temporarily back off its new living wage law aimed at upscale beach-area hotels and restaurants in order to help these businesses? With hotel occupancy off as much as 30% (one hotel claimed to have lost \$500,000 in the days after the Sept. 11th terror attack), one might have thought the council would back off, but NO! The new law will force these

businesses to pay \$12.25 per hour (includes health benefits). The opponents of this new law – **FAIR** (Santa Monicans Fighting Against Irresponsible Regulation) turned in more than enough signatures to force a local referendum on this law. The council hasn't set a date, but it will either be in March or November of 2002. FYI: will there be layoffs and closures in Santa Monica? The new law says that businesses which are already unionized or generate less than \$5 million a year are exempt. Calpeek sources say at least one upscale restaurant *may* close down for lunch in order to fall under the \$5 million revenue cap. Stay tuned...

CALPEEK'S INFOBAHN: POLITICAL SHORT TAKES.

Editor's note: Here are a few items, political & otherwise, worth noting...

■ **Calif. Task Force on Terrorism** – Assembly Speaker **Bob Hertzberg**(D) has formed the *Speaker's Task Force on the Impact of Terrorism on Calif.* GOP Assembly Leader **Dave Cox** is the co-chair. The first open meeting will be in L.A. on Oct. 15th. Hertzberg and the chairs/co-chairs of 8 Standing Assembly Cmts. will take testimony and make recommendations. Committees include: Business & Professions; Environmental Safety; GO; Judiciary; Jobs, Economic Development; Public Safety; Rules; and Transportation. The website is www.californiasafe.ca.gov.

■ **Pelosi Wins Demo Whip Post** – U.S. Rep. **Nancy Pelosi** of S.F. is the new Demo House Minority Whip. The veteran lawmaker defeated U.S. Rep. **Steny Hoyer** of Maryland by a 118 to 95 margin. A big win for the Calif.'s Demo U.S. House delegation...

■ **Bannister Looks at Insurance Post** – Orange Co. insurance executive **Wes Bannister** is again thinking of running for Insurance Commissioner, Calpeek sources report. Bannister was the GOP nominee in 1990 for this post but was defeated by **John Garamendi**(D). Bannister ran again for IC in '94, but lost the GOP primary to **Chuck Quackenbush**...

■ **Local Utility Tax Under Fire** – In **Santa Cruz Co.**, a local outfit known as *Grass Roots Organizations United for Progress*(GROUP) has submitted enough signatures to qualify an initiative to repeal the county's 7% utility tax (on power, gas, water, telephone, cable, etc.). The County Bd. of Supes can either call a special election (probably would be in March 2002), adopt the proposal as is or study the fiscal impact. Sources say the Supes will probably order a study and then put it on the ballot...

CALPEEK'S CALENDAR OF POLITICAL EVENTS

Oct. 23	Runoff election, L.A. City Council Dist. #4.
Oct. 26	13 th annual VICA Business Forecast Conf. at Warner Center Marriott Hotel.
Oct. 27	CRP Convention – Westin LAX Hotel.
Oct. 29	Calif. candidate declaration of intent for 2002.
Nov. 5-6	So. Coast AQMD "Clear Air Technologies 2001" Internat'l conf. & expo, Disneyland Hotel, Anaheim.

CALPEEK's NEW JOBS AND PERSONNEL NOTICES.

Editor's note: Here are some items to mark down in your notebook...

● A sad note: gruff GOP campaign consultant **Bob Gouty** died Oct. 6th after a long illness. The 73-year-old Covina-based consultant was a reporter and then a successful ad exec before turning to politics. Remember the ad, *Where there's Bud, there's life?* That was Gouty's. Among his clients were U.S. Rep. **David Dreier**(R) and State Sen. **Bob Margett**. R.I.P...

● Another sad note: veteran Sacto lobbyist **Bob Shillito** passed away Sept. 27th. He was 80 and worked as a lobbyist for the CA Retailers Assn. for 32 years. R.I.P...

● **Chris Wysocki** has joined the Sacto-based political consulting and p/a strategic communications firm of Gilliard Blanning & Associates as a principal. Wysocki returns to Sacto from DC where he was head of the Small Business Survival Committee...

CALPEEK'S MARKETPLACE NETWORK

● **Executive Director** for South Orange County/San Diego-based non-profit coalition to promote food safety. Ideal candidate will have strong communication skills and a minimum of 3-5 years direct work in grassroots/coalition building and/or non-profit fundraising. Fax resume/cover letter to (310)789-2215.

● **Sizzling L.A. PR/PA** firm needs an Account Coordinator who loves to get the job done. Strong writing ability, production experience and database knowledge critical to success, and advancement. Campaign experience a plus. Competitive salary & benefits. Email resume to CamPublicAffairs@aol.com.

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